

Mount St. Mary Hospital
(Owned and Operated by the Marie Esther Society)
Financial Statements
Year Ended March 31, 2023

STATEMENT OF MANAGEMENT RESPONSIBILITY


The financial statements of Mount St. Mary Hospital (the "Hospital") for the year ended March 31, 2023 have been prepared by management in accordance with Canadian public sector accounting standards ("PSAS") issued by the Public Sector Accounting Board ("PSAB"), as required by Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia and in regard to the accounting for restricted contributions which is based on the Restricted Contributions Regulation 198/2011. The integrity and objectivity of these statements are management's responsibility. Management is also responsible for all the statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements. A summary of the significant accounting policies are described in Note 2 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced. The internal controls are designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements.

The Board of Directors are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control, and exercises these responsibilities, in part, through the Finance Committee. The Board reviews internal financial statements on a monthly basis and external audited financial statements yearly. The Board also discusses any significant financial reporting or internal control matters prior to their approval of the financial statements.

The external auditors, Dusanj & Wirk Chartered Professional Accountants, conduct an independent examination, in accordance with Canadian generally accepted auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to management and the Finance Committee of the Board and meet with each at least annually. The accompanying Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the financial statements.

On behalf of Mount St. Mary Hospital



Sara Fowler
Chief Executive Officer

Victoria, BC
June 29, 2023

INDEPENDENT AUDITOR'S REPORT

**To: The Members of the Marie Esther Society
The Minister of Tourism, Arts, Culture & Sport**

Report on the Financial Statements

Qualified Opinion

We have audited the accompanying financial statements of Mount St. Mary Hospital (the "Hospital"), which comprise the statement of financial position as at March 31, 2023 and the statements of operations and accumulated surplus, changes in net financial debt, remeasurement gains and losses and cash flows for the year ended March 31, 2023 and a summary of significant accounting policies and other explanatory information.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of the Hospital as at March 31, 2023 and the results of its operations and changes in net financial assets and cash flows for the year ended March 31, 2023 in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

As described in Note 2 (a) to the financial statements, the entity's accounting treatment for contributions received from governments and for externally restricted contributions received from non-government sources is to initially record them as deferred revenue (a liability) and then recognize revenue in the statement of operations either on the same basis as the related expenditures occur or, in the case of funds for the purchase or construction of capital assets, to recognize revenue on the same basis as the related assets are amortized. The entity was required to adopt this accounting policy as prescribed by Province of British Columbia Treasury Board Regulation 198/2011.

Under Canadian Public Sector Accounting Standards, the entity's method of accounting for contributions is only appropriate in circumstances where the funding meets the definition of a liability. Otherwise, the appropriate accounting treatment is to record contributions as revenue when they are received or receivable. In our opinion certain contributions of the entity do not meet the definition of a liability, and as such the entity's method of accounting for those contributions represents a departure from Canadian Public Sector Accounting Standards.

This departure has existed since the inception of the standard, which applies to periods beginning on or after April 1, 2012. The quantitative impact of the departure is disclosed in Note 13.

Report on Other Legal and Regulatory Requirements

As required by the Societies Act (British Columbia), we report that, in our opinion, the accounting principles in Canadian public sector accounting standards have been applied on a basis consistent with that of the preceding year.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Hospital's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Hospital or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Hospital's financial reporting process.

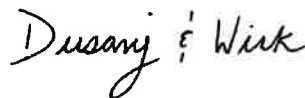
Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism through the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Hospital's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Hospital to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Victoria, B.C.
June 29, 2023

Chartered Professional Accountants

MOUNT ST. MARY HOSPITAL
(Owned and Operated by the Marie Esther Society)


Statement of Financial Position
(Amounts expressed in thousands of dollars)

March 31, 2023, with comparative figures for March 31, 2022

	March 31, 2023 \$	March 31, 2022 \$
Financial assets		
Cash and cash equivalents (note 3)	478	1,973
Investments (note 4)	2,384	1,732
Endowment investments available to spend (note 9)	16	377
Accounts receivable	1,359	744
	<u>4,237</u>	<u>4,826</u>
Financial liabilities		
Accounts payable and accrued liabilities	2,214	1,881
Vacation payable	745	691
Employee future benefits (note 5)	1,366	1,334
Deferred operating contributions (note 6)	1,025	676
Deferred capital contributions (note 7)	17,102	18,106
	<u>22,452</u>	<u>22,688</u>
Net financial debt	<u>(18,215)</u>	<u>(17,862)</u>
Non-financial assets		
Tangible capital assets (note 8)	20,657	21,038
Inventories held for use	10	6
Prepaid expenses	51	17
Restricted endowment investments (note 9)	4,613	4,613
	<u>25,331</u>	<u>25,674</u>
Accumulated surplus	<u>7,116</u>	<u>7,812</u>
Accumulated surplus is comprised of:		
Accumulated operating surplus	7,508	7,789
Accumulated remeasurement gains (losses)	(392)	23
	<u>7,116</u>	<u>7,812</u>

Contingent liability (note 12)

Approved by the Board of Directors:



Chair



Board Member

The accompanying notes are an integral part of these financial statements

MOUNT ST. MARY HOSPITAL
(Owned and Operated by the Marie Esther Society)

Statement of Operations and Accumulated Operating Surplus
(Amounts expressed in thousands of dollars)

Year ended March 31, 2023, with comparative figures for 2022

	Budget \$ (note 2(g))	2023 \$	2022 \$
Revenues:			
Health Authority contributions	15,356	17,083	16,388
Patients, clients and residents	4,801	4,886	4,733
Amortization of deferred capital contributions (note 7)	1,185	1,236	1,214
Other revenue (note 10)	388	540	567
Other contributions (note 6)	168	241	179
Investment income	-	57	20
	<u>21,898</u>	<u>24,043</u>	<u>23,101</u>
Expenses:			
Residential care (note 10)	20,713	23,088	21,576
Amortization	1,185	1,236	1,214
	<u>21,898</u>	<u>24,324</u>	<u>22,790</u>
Annual operating surplus (deficit)	-	(281)	311
Accumulated operating surplus at beginning of year	7,789	7,789	7,478
Accumulated operating surplus at end of year	<u>7,789</u>	<u>7,508</u>	<u>7,789</u>

The accompanying notes are an integral part of these financial statements

MOUNT ST. MARY HOSPITAL
(Owned and Operated by the Marie Esther Society)

Statement of Changes in Net Financial Debt
(Amounts expressed in thousands of dollars)

Year ended March 31, 2023, with comparative figures for 2022

	Budget	2023	2022
	\$	\$	\$
	(note 2(g))		
Annual operating surplus (deficit)	-	(281)	311
Acquisition of tangible capital assets	(1,410)	(855)	(436)
Amortization of tangible capital assets	1,185	1,236	1,214
	(225)	381	778
Acquisition of inventories held for use	-	(4)	(23)
Acquisition of prepaid expenses	-	(102)	(49)
Consumption of inventories held for use	-	-	23
Use of prepaid expenses	-	68	63
	-	(38)	14
Effect of net remeasurement losses for the year	-	(415)	(63)
(Increase) decrease in net financial debt	(225)	(353)	1,040
Net financial debt, beginning of year	(17,862)	(17,862)	(18,902)
Net financial debt, end of year	(18,087)	(18,215)	(17,862)

The accompanying notes are an integral part of these financial statements

MOUNT ST. MARY HOSPITAL

(Owned and Operated by the Marie Esther Society)

Statement of Remeasurement Gains and Losses
(Amounts expressed in thousands of dollars)

Year ended March 31, 2023 with comparative figures for 2022

	2023	2022
	\$	\$
Accumulated remeasurement gains, beginning of year	23	86
Unrealized gains (losses) attributable to:		
Portfolio investments	(95)	48
Endowment investments	(260)	(290)
Amounts reclassified to the statement of operations:		
Portfolio investments	(15)	(18)
Endowment investments	(45)	197
Net remeasurement losses for the year	(415)	(63)
Accumulated remeasurement gains (losses), end of year	(392)	23

The accompanying notes are an integral part of these financial statements

MOUNT ST. MARY HOSPITAL
(Owned and Operated by the Marie Esther Society)

Statement of Cash Flows
(Amounts expressed in thousands of dollars)

Year ended March 31, 2023, with comparative figures for 2022

	2023	2022
	\$	\$
Cash flows from (used in) operating activities:		
Annual operating surplus (deficit)	(281)	311
Items not involving cash:		
Amortization of deferred capital contributions	(1,236)	(1,214)
Amortization of tangible capital assets	1,236	1,214
Retirement allowance expense	192	136
	(89)	447
Net change in non-cash operating items	83	(7)
Net change in cash from operating activities	(6)	440
Capital activities:		
Acquisition of tangible capital assets	(855)	(436)
Investing activities:		
Purchase of investments	(826)	(1,521)
Restricted endowment assets withdrawn	120	213
Net change in cash from investing activities	(706)	(1,308)
Financing activities:		
Retirement allowance benefits paid	(160)	(181)
Capital contributions	232	1,082
Net change in cash from financing activities	72	901
Decrease in cash and cash equivalents	(1,495)	(403)
Cash and cash equivalents, beginning of year	1,973	2,376
Cash and cash equivalents, end of year	478	1,973

The accompanying notes are an integral part of these financial statements

MOUNT ST. MARY HOSPITAL

(Owned and Operated by the Marie Esther Society)

Notes to the Financial Statements
(Tabular amounts are expressed in thousands of dollars)

Year ended March 31, 2023, with comparative figures for 2022

1. Purpose

Mount St. Mary Hospital (the "Hospital") is a residential care facility providing complex care. Founded by the Sisters of St. Ann, the Hospital is owned and operated by the Marie Esther Society, and is directed by a Board of Directors appointed by the Marie Esther Society. The Hospital was incorporated under the Society Act of British Columbia on October 19, 1990 as a not-for-profit organization and is a registered charity exempt from tax under the Income Tax Act.

2. Significant Accounting Policies

(a) Basis of accounting:

The financial statements are prepared by management in accordance with Canadian public sector accounting standards ("PSAS") issued by the Public Sector Accounting Board ("PSAB") as required by Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia, except in regard to the accounting for restricted contributions which is based on the Restricted Contributions Regulation 198/2011 and as advised by the Office of the Comptroller General of British Columbia ("OCG").

(b) Employee benefits:

(i) Defined benefit obligations, including multiple employer benefit plans:

Liabilities, net of plan assets, are recorded for employee retirement allowance benefits and multiple employer defined long-term disability benefits plans as employees render services to earn the benefits.

The actuarial determination of the accrued benefit obligations uses the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors). Plan assets are measured at fair value.

The discount rate used to measure obligation is based on the cost of borrowing. The cost of a plan amendment or the crediting of past service is accounted for entirely in the year that the plan change is implemented.

(ii) Defined contribution plans and multi-employer benefit plans:

Defined contribution plan accounting is applied to multi-employer defined benefit plans and, accordingly, contributions are expensed when due and payable.

(iii) Accumulating, non-vesting benefit plans:

Benefits that accrue to employees, which do not vest, such as sick leave banks for certain employee groups, are accrued as the employees render services to earn the benefits, based on estimates of the expected future settlements.

MOUNT ST. MARY HOSPITAL
(Owned and Operated by the Marie Esther Society)

Notes to the Financial Statements
(Tabular amounts are expressed in thousands of dollars)

Year ended March 31, 2023, with comparative figures for 2022

2. Significant Accounting Policies (continued)

(b) Employee benefits (continued):

(iv) Non-accumulating, non-vesting benefit plans:

For benefits that do not vest or accumulate, a liability is recognized when an event that obligates the Hospital to pay benefits occurs.

(c) Non-financial assets:

(i) Tangible capital assets:

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Costs include overhead directly attributable to construction and development.

The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight line basis over their estimated useful lives as follows:

Buildings	20 – 35 years
Furniture and equipment	5 – 10 years

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Hospital's ability to provide services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The write-downs of tangible capital assets are recorded in the statement of operations. Write downs are not subsequently reversed.

Contributed tangible capital assets are recorded at their fair value on the date of contribution. When fair value of a contributed asset cannot be reliably determined, the asset is recorded at nominal value.

(d) Revenue recognition:

Under the *Hospital Insurance Act and Regulation* thereto, the Hospital is funded by the Island Health Authority in accordance with the service provider agreement established and approved by the Health Authority.

Revenues are recognized on an accrual basis in the period in which the transactions or events occurred that gave rise to the revenues, the amounts are considered to be collectible and can be reasonably estimated.

Revenue related to fees or services received in advance of the fee being earned or the service being performed is deferred and recognized when the fee is earned or service performed.

MOUNT ST. MARY HOSPITAL
(Owned and Operated by the Marie Esther Society)

Notes to the Financial Statements
(Tabular amounts are expressed in thousands of dollars)

Year ended March 31, 2023, with comparative figures for 2022

2. Significant Accounting Policies (continued)

(d) Revenue recognition (continued):

Under the framework described in note 2(a), externally restricted contributions are recognized as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follows:

- (i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or in the form of a depreciable tangible capital asset, in each case for use in providing services, are considered to be deferred capital contributions and are amortized to revenue at the same rate as the amortization of the associated tangible capital asset. The amortization of the deferred capital contributions is recognized over the period in which the tangible capital asset is providing services. If the depreciable tangible capital asset funded by a deferred contribution is written down, a proportionate share of the deferred capital contribution is recognized as revenue during the same period.
- (ii) Contributions externally restricted for specific purposes other than for the acquisition or development of a depreciable tangible capital asset are recorded as deferred operating contributions, or deferred research and designated contributions, and recognized in revenue in the year in which the stipulation or restriction on the contribution have been met by the Hospital.
- (iii) Contributions restricted to be retained in perpetuity, allowing only the investment income earned thereon to be spent are recorded as restricted endowment contributions in the statement of operations for the portion to be held in perpetuity and as deferred contributions for any restricted investment income earned thereon.

Investment income includes interest recorded on an accrual basis and dividends recorded as declared, realized gains and losses on the sale of investments, and write-downs on investments where the loss in value is determined to be other-than-temporary.

Volunteers contribute a significant amount of their time each year to assist the Hospital in carrying out its programs and services. Because of the difficulty of determining their fair value, contributed services are not recognized in these financial statements. Contributions of assets, supplies and services that would otherwise have been purchased are recorded at fair value at the date of contribution, provided a fair value can be reasonably determined.

Contributions for the acquisition of land, or the contribution of land, are recorded as revenue in the period of acquisition or transfer of title.

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the Statement of Operations and Accumulated Surplus as the stipulated liabilities are settled.

MOUNT ST. MARY HOSPITAL
(Owned and Operated by the Marie Esther Society)

Notes to the Financial Statements
(Tabular amounts are expressed in thousands of dollars)

Year ended March 31, 2023, with comparative figures for 2022

2. Significant Accounting Policies (continued)

(e) Measurement uncertainty:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period.

Significant areas requiring the use of estimates include the estimated useful lives of tangible capital assets, contingent liabilities, fair value of designated financial instruments, and the future costs to settle employee benefit obligations.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Actual results could differ from the estimates.

(f) Financial instruments:

Upon inception and subsequent to initial recognition equity instruments quoted in an active market and any designated financial instruments are measured at fair value. All other financial assets and financial liabilities are measured at cost or amortized cost upon their inception and subsequent to initial recognition. Financial instrument classification is determined upon inception and financial instruments are not reclassified into another measurement category for the duration of the period they are held.

Financial instruments measured at fair value are classified as level 1, 2 or 3 for the purposes of describing the basis of the inputs used to measure the fair values of financial instruments in the fair value measurement category, as described below:

Level 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	Market-based inputs other than quoted prices that are observable for the asset or liability either directly or indirectly
Level 3	Inputs for the asset or liability that are not based on observable market data; assumptions are based on the best internal and external information available and are most suitable and appropriate based on the type of financial instrument being valued in order to establish what the transaction price would have been on the measurement date in an arm's length transaction

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of re-measurement gains and losses and recognized in the statement of operations.

Interest and dividends attributable to financial instruments are reported in the statement of operations.

MOUNT ST. MARY HOSPITAL
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Notes to the Financial Statements
(Tabular amounts are expressed in thousands of dollars)

Year ended March 31, 2023, with comparative figures for 2022

2. Significant Accounting Policies (continued)

(f) Financial instruments (continued):

All financial assets recorded at amortized cost are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the consolidated statement of operations. A write-down to reflect a loss in value is not reversed for a subsequent increase in value.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense. Transaction costs for financial instruments measured using cost or amortized cost are added to the carrying value of the financial instrument. Transaction costs for financial instruments measured at fair value are expensed. A financial liability or its part is derecognized when it is extinguished.

i. Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits and short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. These short-term investments generally have a maturity of three months or less at acquisition and are held for the purpose of meeting short-term cash commitments rather than for investing.

ii. Portfolio investments

Portfolio investments include banker's acceptances, treasury bills, equities and bonds and are recorded at fair value. Transaction costs are recorded using the effective interest rate method.

iii. Other financial liabilities

The estimated fair market value of accrued vacation pay approximates its carrying value. The estimated fair value of accrued sick and severance pay approximates its carrying value as determined by actuarial valuation.

(g) Budget figures:

Budget figures have been provided for comparative purposes and have been derived from the Hospital's Fiscal 2022/2023 Budget approved by the Board of Directors on November 24, 2022 and published in the Hospital's Service Plan. The budget is reflected in the statement of operations and accumulated operating surplus and the statement of changes in net financial assets (net debt).

(h) Changes in accounting policies:

PS 3280 was issued in August 2018 and was established to guide public sector entities on how to account for and report legal obligations associated with the retirement of tangible capital assets. This standard was effective April 1, 2022.

The Hospital has determined that it does not have any asset retirement obligations as at March 31, 2023.

MOUNT ST. MARY HOSPITAL
(Owned and Operated by the Marie Esther Society)

Notes to the Financial Statements
(Tabular amounts are expressed in thousands of dollars)

Year ended March 31, 2023, with comparative figures for 2022

(i) Future accounting standards:

The Public Sector Accounting Board (PSAB) which sets accounting standards for Canadian public sector entities has approved the following new accounting standards not yet implemented by Mount St. Mary Hospital.

PS 3400 – Revenue

PS 3400 was issued in November 2018 and established standards on how to account for and report on revenue. Specifically it differentiates between revenue arising from transactions that include performance obligations and transactions that do not have performance obligations. Either a retrospective or prospective application is required for annual periods beginning on or after April 1, 2023 with early adoption permitted.

The Hospital is currently assessing the impact of PS 3400 and plans to adopt the new standard on the required effective date. The Hospital is not able to estimate the impact of any changes arising due to this new standard as at the date of these financial statements.

3. Cash and Cash Equivalents

Cash and cash equivalents are comprised of the following:

	2023 \$	2022 \$
Cash	475	1,825
Short-term investments	3	148
	478	1,973

4. Investments

Investments are comprised of the following:

	2023		2022	
	Fair value \$	Cost \$	Fair value \$	Cost \$
Equities	1,219	1,281	1,209	1,170
Fixed income	1,165	1,214	523	563
	2,384	2,495	1,732	1,733

MOUNT ST. MARY HOSPITAL
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Notes to the Financial Statements
(Tabular amounts are expressed in thousands of dollars)

Year ended March 31, 2023, with comparative figures for 2022

5. Employee Future Benefits

(a) Accrued sick and severance pay

Under the terms of the employer's union contracts, employees with ten years of service and having reached a certain age are entitled to receive special payments upon retirement (or other circumstances specified in the collective agreement). These payments are based upon accumulated sick leave credits and entitlements for each year of service. The liability for amounts which may become payable to retiring employees has been estimated by independent actuarial valuation as at March 31, 2023, using an early measurement date of December 31, 2022.

The accumulated benefit obligation for sick leave and severance benefits as at March 31, 2023 are as follows:

	2023	2022
	\$	\$
Accrued benefit obligation:		
Sick leave benefits	726	747
Severance benefits	912	964
	<hr/>	<hr/>
Total unfunded obligation	1,638	1,711
	<hr/>	<hr/>

(a) Accrued sick and severance pay (continued):

The accrued benefit obligation for the retirement allowance reported on the statement of financial position is as follows:

	2023	2022
	\$	\$
Balance, beginning of year	1,334	1,379
	<hr/>	<hr/>
Current service cost	122	106
Amortization	17	(14)
Interest expense	53	44
	<hr/>	<hr/>
Net benefit expense	192	136
	<hr/>	<hr/>
Benefits paid	(160)	(181)
	<hr/>	<hr/>
Balance, end of year	1,366	1,334
	<hr/>	<hr/>

MOUNT ST. MARY HOSPITAL
(Owned and Operated by the Marie Esther Society)

Notes to the Financial Statements
 (Tabular amounts are expressed in thousands of dollars)

Year ended March 31, 2023, with comparative figures for 2022

5. Employee Future Benefits (continued)

The significant actuarial assumptions adopted in measuring the Hospital's accrued sick and severance liabilities are as follows:

	<u>2023</u>	<u>2022</u>
Accrued benefit obligation as at March 31:		
Discount rate	3.55%	3.16%
Rate of compensation increase	4.17%	2.50%
Benefit costs for the years ended March 31:		
Discount rate	3.16%	3.14%
Rate of compensation increase	2.50%	2.00%
Expected future inflationary increase	7.00%	2.50%

(b) Employee pension benefits

The Hospital and its employees contribute to the Municipal Pension Plan, a multi-employer defined benefit pension plan governed by the BC Public Sector Pension Plans Act. Employer contributions to the Municipal Pension Plan of \$963,538 (2022: \$956,630) were expensed during the year.

(c) Employee healthcare benefits

The Hospital contributes to the Healthcare Benefit Trust and BC Health Services multi-employer plans for group life insurance, accidental death and dismemberment, extended health and dental, and long-term disability benefits for employees. Employer contributions to the Healthcare Benefit Trust of \$1,378,940 (2022: \$1,304,372) and to BC Health Services of \$116,804 (2022: \$134,273) were expensed during the year.

6. Deferred Operating Contributions

Deferred contributions represent unspent resources externally restricted for special programs. These programs include additional staff training to enhance resident care, pet therapy, gardens, pastoral care, resident activities, and one-time operating funding from the Health Authority deferred from the prior fiscal year. Changes in deferred contributions balance are as follows:

	<u>2023</u>	<u>2022</u>
	<u>\$</u>	<u>\$</u>
Balance, beginning of year	676	440
Donations received	590	415
Amounts recognized as revenue in the year	(241)	(179)
Balance, end of year	<u>1,025</u>	<u>676</u>

MOUNT ST. MARY HOSPITAL
(Owned and Operated by the Marie Esther Society)

Notes to the Financial Statements
(Tabular amounts are expressed in thousands of dollars)

Year ended March 31, 2023, with comparative figures for 2022

7. Deferred Capital Contributions

Deferred capital contributions related to property and equipment represent the unamortized amount and unspent amount of grants and donations received for the purchase of property and equipment. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2023	2022
	\$	\$
Balance, beginning of year	18,106	18,237
Capital funding	232	1,083
Amounts recognized as revenue in the year	(1,236)	(1,214)
Balance, end of year	<u>17,102</u>	<u>18,106</u>

The balance of unamortized capital contributions related to property and equipment consists of the following:

	2023	2022
	\$	\$
Unamortized capital contribution used to purchase:		
Property and equipment	16,917	17,298
Unspent contributions	185	808
Balance, end of year	<u>17,102</u>	<u>18,106</u>

8. Tangible Capital Assets

Cost

	March 31, 2022	Additions	Disposals	March 31, 2023
	\$	\$	\$	\$
Land	3,740	-	-	3,740
Building	34,818	489	-	35,307
Equipment	6,035	366	-	6,401
	<u>44,593</u>	<u>855</u>	<u>-</u>	<u>45,448</u>

Accumulated Amortization

	March 31, 2022	Amortization	Adjustment	March 31, 2023
	\$	\$	\$	\$
Building	18,303	1,063	-	19,366
Equipment	5,252	173	-	5,425
	<u>23,555</u>	<u>1,236</u>	<u>-</u>	<u>24,791</u>

MOUNT ST. MARY HOSPITAL
(Owned and Operated by the Marie Esther Society)

Notes to the Financial Statements
 (Tabular amounts are expressed in thousands of dollars)

Year ended March 31, 2023, with comparative figures for 2022

8. Tangible Capital Assets (continued)

Net Book Value

	2023	2022
	\$	\$
Land	3,740	3,740
Building	15,941	16,515
Equipment	976	783
	<u>20,657</u>	<u>21,038</u>

9. Restricted Endowment Investments

Restricted endowment investments are comprised of the following:

	2023		2022	
	Fair value	Cost	Fair value	Cost
	\$	\$	\$	\$
Cash	6	6	20	20
Short-term investments	26	26	15	15
Fixed income	1,349	1,516	1,708	1,840
Equities	3,248	3,362	3,247	3,091
	<u>4,629</u>	<u>4,910</u>	<u>4,990</u>	<u>4,966</u>

	2023	2022
	\$	\$
Restricted Endowment Investments	4,629	4,990
Available to spend	(16)	(377)
Restricted Principle	<u>4,613</u>	<u>4,613</u>

MOUNT ST. MARY HOSPITAL
(Owned and Operated by the Marie Esther Society)

Notes to the Financial Statements
(Tabular amounts are expressed in thousands of dollars)

Year ended March 31, 2023, with comparative figures for 2022

10. Statement of Operations

Other revenue is comprised of the following:

	2023	2022
	\$	\$
Wage recovery	231	163
Other	128	48
Resident services	64	68
Parking fees	62	53
Endowment revenue	55	234
Cafeteria	-	1
	<u>540</u>	<u>567</u>

Residential care is comprised of the following:

	2023	2022
	\$	\$
Salaries, wages and benefits	19,553	18,247
Supplies	1,728	1,544
Laundry and other services	881	856
Pharmacy costs	422	453
Utilities	308	313
Special programs	119	15
Sundry	77	148
	<u>23,088</u>	<u>21,576</u>

11. Risk Management

The Hospital has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The risks that arise from transacting financial instruments include credit risk, currency risk, interest rate risk, liquidity risk and other price risk. There have been no significant changes in the Hospital's risk exposure from the prior year.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause financial loss for the other party by failing to discharge an obligation. Financial instruments that potentially subject the Hospital to credit risk consist primarily of accounts receivable. Accounts receivable are not concentrated with any single party, and therefore the Hospital is not subject to any significant concentration of credit risk.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Hospital is not exposed to significant currency risks arising from its financial instruments.

MOUNT ST. MARY HOSPITAL
(Owned and Operated by the Marie Esther Society)

Notes to the Financial Statements
(Tabular amounts are expressed in thousands of dollars)

Year ended March 31, 2023, with comparative figures for 2022

11. Risk Management (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Hospital is not exposed to significant interest rate risks arising from its financial instruments.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Cash flow from operations provides a substantial portion of the Hospital's cash requirements. The Hospital is not exposed to significant liquidity risks arising from its financial instruments.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or foreign currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Hospital is not exposed to significant other price risk.

12. Contingent Liability

The nature of the Hospital's activities is such that there may be litigation pending or in progress at any time. Any outstanding claims at March 31, 2023 are not expected to have a material effect on the Hospital's financial position. Outstanding contingencies are reviewed on an ongoing basis and are provided for in the financial statements based on management's best estimate of the ultimate settlement. No contingencies have been recorded in the year (2022: \$0).

13. Impact of Accounting for Restricted Contributions in Accordance with Section 23.1 of the Budget Transparency and Accountability Act:

As disclosed in the significant accounting policies note 2, Restricted Contributions Regulation 198/2011 requires the Hospital to recognize revenue from restricted contributions for the purpose of acquiring or developing a depreciable tangible capital asset on the same basis as the related amortization expense of the tangible capital asset. As these transfers do not contain stipulations or restrictions creating a liability over the term of the expected useful life of a related capital tangible assets, PSAS would require these contributions to be recognized in revenue as a tangible capital asset is acquired or developed and construction of a tangible capital asset is complete.

The impact of the departure from PSAS on the financial statements of the Hospital is as follows:

For the year ended March 31, 2022	
Decrease in operating surplus	\$778
As at March 31, 2022	
Increase in accumulated operating surplus	\$17,298
Decrease in deferred capital contribution	\$17,298

MOUNT ST. MARY HOSPITAL
(Owned and Operated by the Marie Esther Society)

Notes to the Financial Statements
 (Tabular amounts are expressed in thousands of dollars)

Year ended March 31, 2023, with comparative figures for 2022

13. Impact of Accounting for Restricted Contributions in Accordance with Section 23.1 of the Budget Transparency and Accountability Act (continued):

For the year ended March 31, 2023	
Decrease in operating surplus	\$381
As at March 31, 2023	
Increase in accumulated operating surplus	\$16,917
Decrease in deferred capital contribution	\$16,917

14. The Victoria Foundation

The Hospital holds an endowment known as the “Mount St. Mary Hospital Fund” at the Victoria Foundation. The Hospital is the beneficiary of grants from the fund which are made from time to time according to the Foundation’s distribution policy and following recommendations from the Hospital and approval of the Foundation’s Board of Directors. The endowment is not reflected in the Hospital’s assets on the statement of financial position. The fair market value of this endowment at March 31, 2023 is \$34,029 (2022: \$31,726).

15. Residents’ Trust Funds

	2023 \$	2022 \$
Residents’ funds held in trust	112	103

The residents’ funds held in trust are not included in the accompanying financial statements.

16. COVID-19 impact on operations

In March 2020, the World Health Organization declared a global pandemic due to the novel coronavirus (COVID-19). The situation is constantly evolving, and the measures put in place are having multiple impacts on local, provincial, national and global economies.

As a result of the COVID-19 crisis, the Chief Medical Officer for the Island Health Region issued an order regarding Deployment and Redeployment of Staff on May 22, 2020. This order restricted all healthcare staff to working at a single, assigned site during the COVID-19 crisis. As a result, the Hospital has incurred significant increases in overtime wages paid due to the reduction in its staff.

Included in the Hospital’s annual operating deficit for the year is a \$828,191 revenue accrual representing an expected reimbursement for COVID-19-related expenses from the Ministry of Health. This represents the amount that the Hospital expects to receive related to costs incurred during the fiscal year. The timing of receipt of the reimbursement is unknown.

As at June 29, 2023, the Hospital is not anticipating further changes to its operations, however there is uncertainty as to the length and potential impact of the disturbance. As a result, management is unable to estimate the potential impact on the Hospital’s operations as at the date of these financial statements.